



## Using the Clean Water State Revolving Fund to Reduce Animal Feeding Operation Pollution

### ***The Problem***

*Animal Feeding Operations* (AFOs) are livestock-raising operations, such as hog, cattle and poultry farms, that congregate animals, feed, waste, and production operations on a small land area. In these operations, food is brought to the animals rather than having them graze or otherwise seek food in pastures or fields. Manure and wastewater from AFOs have the potential to impact nearby water bodies and cause serious water quality and public health risks. There are approximately 450,000 animal feeding operations in the United States. AFOs can range from livestock production facilities with a small number of animals to extremely large production facilities that generate as much animal manure and wastewater as the amount of biosolids generated by a medium-sized city. Improperly managed manure and wastewater from AFOs have been associated with significant environmental and public health concerns, including nutrient over-enrichment of surface water and groundwater, contamination of drinking water supplies and fish kills.

### ***The Clean Water Action Plan***

The 25th anniversary of the Clean Water Act in October 1997 sparked the development of the *Clean Water Action Plan* (CWAP), which calls for a renewed commitment to providing "fishable and swimmable" waters to all Americans. One key action in the Plan directs USDA and EPA to develop a unified national strategy to minimize the environmental and public health impacts of AFOs. A draft of this strategy was released in September 1998. A key feature of the draft strategy is the performance expectation that all AFOs develop and implement comprehensive nutrient management plans.

### ***CWSRF History***

In creating the Clean Water State Revolving Fund (CWSRF), Congress ensured that it would be able to fund a wide range of water quality projects, including nonpoint source, wetlands, estuary, and watershed

projects, as well as municipal wastewater treatment systems. The SRF provisions in the Clean Water Act give no more preference to one category or type of project than another.

**The CWSRF will invest 10% of its funds on  
polluted runoff projects by 2001.**

--Clean Water Action Plan

### ***Capacity of the CWSRF***

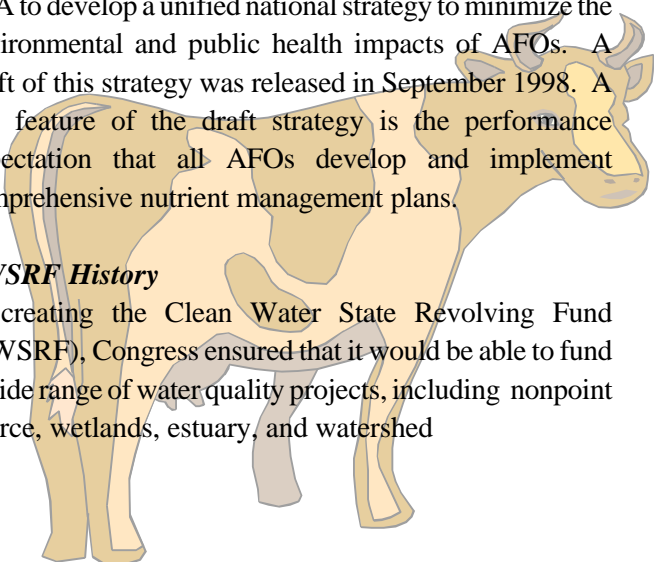
The 51 CWSRF programs (one in each state and Puerto Rico) work like banks. Federal and state contributions are used to capitalize or set up the programs. These assets, in turn, are used to make low-interest loans (as low as 0%) for important water quality projects. Loan repayments are then recycled to fund other important water quality projects.

The CWSRF has in excess of \$27 billion in assets. Currently, the CWSRF is funding approximately \$3 billion in water quality projects each year. Funding for polluted runoff projects (including AFOs) with the CWSRF is gaining momentum as the CWAP initiatives get under way.

***Since 1989 the CWSRF program has funded  
1200 projects, investing more than \$840 million  
to clean up polluted runoff.***

### ***Who May Qualify***

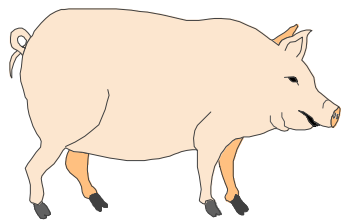
Included in a long list of eligible CWSRF loan recipients are community groups, individuals, and agricultural and nonprofit organizations. Since the program is managed largely by the states, project funding may vary according to the priorities within each state. To obtain CWSRF funding, a project must be in a state's Nonpoint Source Management Plan or Estuary Conservation and Management Plan. Contact your state's CWSRF



program for details.

### ***AFOs/CWSRF Success Stories***

#### **The Missouri Agricultural and Small Business Development Authority** (MASBDA) is borrowing



CWSRF funds and lending the money to farmers so they can purchase animal waste collection equipment and construct animal waste storage and distribution facilities. The animal

waste is used to irrigate row crops and pastures, providing both water and nutrients. The Missouri SRF lends funds to MASBDA at an interest rate of 3%, which in turn lends them to farmers at interest rates of 5% to 6%. The farmers use the revenues from selling their livestock to pay back their loans.

**Minnesota's Department of Agriculture** operates a Best Management Practices (BMP) loan program which has successfully funded a large number of AFO projects. The State lends counties and soil and water conservation districts CWSRF monies at 0% interest. The county or district, through banks that act as agents, lends the money at up to 3% interest (maximum) for a 10-year term. This financial framework demonstrates a unique and effective public/private partnership. Local governments determine environmental priorities and the banks, in turn, determine the financial feasibility of the targeted projects. The counties and districts pay the principal back to the State within 20 years. To date Minnesota has issued \$7.1 million in loans to fund 366 AFO projects. Interest in the program is growing as word of its success spreads.

**Delaware** has developed an Agricultural Nonpoint Source Loan Program (AgNPSLP) as part of their Water Pollution Control Revolving Loan Fund Program. AgNPSLP loans are made available to producers, underwriting up to 90% of the producer's share of the cost of building manure and composting structures. The AgNPSLP also provides loans to purchase front end loaders, manure spreaders, and outside composters.

### ***Restrictions***

AFOs that meet certain specified criteria in the National Pollutant Discharge Elimination System (NPDES) regulations are referred to as concentrated animal feeding operations (CAFOs). Under the Clean Water Act, CAFOs are point sources. Point sources can only receive

CWSRF funding if publicly owned. However, a privately owned agricultural operation that includes a CAFO may still be eligible for CWSRF funding for a nonpoint source project if

1. The proposed remediation takes place outside the CAFO;
2. The agricultural operation has a Comprehensive Nutrient Management Plan (CNMP) developed by a public official or certified private party and is implementing the CNMP; **and**
3. The proposed project is consistent with this CNMP.

At these facilities, for example, stormwater runoff from land application areas may be viewed as a nonpoint source discharge and, thus, eligible for CWSRF funding. Please reference the draft **Unified National AFO Strategy** (<http://www.epa.gov/cleanwater/afo>) for further details.

### ***Sources of Loan Repayment***

The property owner's or business's ability to repay the loan will be determined during the loan application process. The CWSRF does allow for flexibility in that the source of repayment need not come from the project itself.

### ***Challenges Ahead***

We need to make better use of the CWSRF for important water quality projects. Greater understanding of the tremendous buying power and advantages of CWSRF loans should dramatically boost their use.

EPA has been encouraging the states to use their CWSRF resources to finance the widest variety of water quality projects while addressing high priority projects in targeted watersheds. Those interested in cleaning up polluted runoff resulting from AFOs should seek out their CWSRF programs, gain an understanding of how their state program works, and participate in the annual process that determines which projects are funded.

### ***For more information on the Clean Water State Revolving Fund Program, contact:***

The Clean Water State Revolving Fund Branch  
U.S. Environmental Protection Agency  
401 M Street, SW (Mailcode 4204)  
Washington, D.C. 20460  
Phone: (202) 260-7359 Fax: (202) 260-1827  
Internet: <http://www.epa.gov/OWM>